

Message Text

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PAGE 01 SEOUL 04882 091021Z
ACTION EA-12

INFO OCT-01 ISO-00 H-02 EB-08 COME-00 /023 W
-----003147 101001Z /11

R 090835Z JUN 78
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 1541

UNCLAS SEOUL 4882

E.O.11652: NA
TAGS: BESP, BDIS, KS, US
SUBJ: CONGRESSIONAL INTEREST IN LOGO 7/BUM CHANG TRADE DISPUTE.

REF: (A) STATE 141308; (B) STATE 108340; (C) 10 FAM 334

SUMMARY: SUBSEQUENT TO RECEIPT ORIGINAL MESSAGE RE DISPUTE
(REFTEL A), EMBOFF MET WITH SHINE, ADICH AND NFL REPRESENTATIVES
WHO EXPLAINED THE NATURE OF THEIR DIFFICULTIES. EMBOFF EXPLAINED
THAT RESOLUTION OF THE DISPUTE APPEARS TO BE A MATTER APPROPRIATE

TO COMMERCIAL ARBITRATION AND/OR REDERESS THROUGH LITIGATION.
SITUATION APPEARS TO REMAIN AS REPORTED TO EA/K BY MR. SHINE.
MCI WOULD WELCOME LETTER FROM SHINE MAKING CLAIM WITH
DOCUMENTATION AAS AVAILABLE. END SUMMARY.

1. NATURE OF THE DISPUTE IS APPARENTLY THAT LOGO 7 ORDERED
NFL AUTHORIZED WARMUP SUITS FROM BUM CHANG'S QUOTA IN
NOVEMBER, 1977 AND SUBSEQUENTLY COMMITTED ITSELF TO SUPPLY THEM
TO SEARS AND PENNEYS. LATTER PRINTED THEIR SPRING-SUMMER CATALOGS
IN EARLY 1978 OFFERING THE SUITS AT APPROPRIATE PRICES BASED
ON THE SUPPLY PRICES FROM LOGO 7. BUM CHANG ALLEGEDLY RECEIVED
A HIGHER PRICE OFFER FROM ANOTHER BUYER TO WHOM IT SOLD THE SUITS
USING THE QUOTA NECESARY TO MEET ITS ORDER FROM LOGO 7 WITHOUT
WARNING OR GIVING THE LATTER AN OPPORTUNITY TO IMPROVE ITS PRICE.
ACCORDING TO SHINE AND ADICH, HAD BUM CHANG REQUESTED THEM TO
MATCH THE COMPETING OFFER (WHICH WOULD HAVE TAKEN PLACE IN
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DECEMBER OR JANUARY) THEY WOULD HAVE DONE SO AND STILL HAVE BEEN
ABLE TO ADJUST THEIR CONTRACTS WITH SEARS AND PENNEYS.
HOWEVER, THEY STATED THAT WHILE THEY WERE ASSUMING THAT THE ORDER
WOULD BE FILLED, BUM CHANG SIMPLY HELD THEIR L/C FOR SEVERAL
MONTHS BEFORE RETURNING IT TO ADICH AND INFORMING IT THAT
THEY COULD NOT FILL THE ORDER BECAUSE THEY HAD EXHAUSTED THEIR
QUOTA. BY THAT TIME LOGO 7'S CLIENTS HAD PRINTED AND DISTRIBUTED

THEIR CATALOGS AND THE POSSIBILITY OF ADJUSTING THEIR ORIGINAL SELLING PRICE TO SEARS AND PENNEYS WAS FORECLOSED.

2. LOGO/ADICH STATED THAT THEY HAVE SINCE BEEN ABLT TO "BUY" REPLACEMENT TEXTILE QUOTA TO COVER THE ORDER, BUT THE PREMIUM THEY HAD TO PAY FOR IT RENDERS THE TRANSACTION UNECONOMICAL. THEREFORE, THEY DESIRE TO PRESS A CLAIM AGAINST BUM CHANG FOR INDEMNIFICATION OF THE COST OF BUYING THE REPLACEMENT QUOTA WHICH ITS ALLEGED VIOLATION OF ITS CONTRACT AND FAILURE TO INFORM LOGO 7 HAS REPORTEDLY CAUSD.

3. BUM CHANG MAINTAINS THAT SINCE LOGO 7'S LETTER OF CREDIT WAS NOT RECEIVED BY JANUARY 1, 1978, IT WAS UNDER NO OBLIGATION TO FULFILL THE ORDER.

4. MR. CHUNG HAE-JOO, DIRECTOR, 2ND EXPORT DIVISION, MINISTRY TO COMMERCE AND INDUSTRY, SEOUL 110, R.O.K. IS CHARGED WITH FACILITATING THE ADJUSTMENT OF VALID CLAIMS AGAINST KOREAN FIRMS THROUGH MORAL SUASION. IN RESPONSE TO EMBASSY INQUIRY, MR. CHUNG SUGGESTED THAT MR. SHINE WRITE TO HIM STATING ALL THE PERTINENT INFORMATION AND PROVIDING THE DOCUMENTATION ON WHICH LOGO 7 BASES ITS CLAIM. HE WOULD THEN ATTEMPT TO RESOLVE IT. AT THIS TIME HE NOTS THAT BUM CHANG INSISTSTHAT IT IS FAULTLESS AND THAT NO REPEAT NO REASON EXISTS FOR COMPENSATING LOGO 7.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 09 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SEOUL04882
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780243-0268
Format: TEL
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780676/aaaacmzx.tel
Line Count: 94
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 59cd428c-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 STATE 141308, 78 STATE 108340
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2414154
Secure: OPEN
Status: NATIVE
Subject: CONGRESSIONAL INTEREST IN LOGO 7/BUM CHANG TRADE DISPUTE.
TAGS: BEXP, BDIS, KS, US
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/59cd428c-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014